



ASIC Benchmarking

Benchmark	Description	Satisfied?
Benchmark and Disclosure Principle 1: Liquidity	<p>'Liquidity' means a mortgage fund's ability to meet its short-term cash needs.</p> <p>To meet this benchmark, the Responsible Entity must:</p> <ul style="list-style-type: none"> estimate the Fund's cash needs for the next 3 months; ensure the Fund has enough cash or other liquid assets to meet those cash needs ('liquid assets' are assets that can be readily converted into cash); and describe the Fund's policy on balancing its assets against its debts (or 'liabilities'). 	<p>Not applicable.</p> <p>This benchmark does not apply to contributory schemes.</p>
Benchmark and Disclosure Principle 2: Scheme borrowing	<p>To meet this benchmark, the Responsible Entity must not borrow on behalf of the Fund. If it does it must disclose details such as the total debts due by the Fund and any undrawn credit facilities during the next 1 to 5 years, the purpose for the loans and any breaches of loan agreements.</p>	<p>Not applicable.</p> <p>The Fund does not borrow. If this changes the Responsible Entity will provide an update to Members.</p>
Benchmark and Disclosure Principle 3: Portfolio diversification	<p>To meet this benchmark, the Responsible Entity must describe:</p> <ul style="list-style-type: none"> the Fund's assets (including number and types of loans, largest loans, defaults or late payments, upcoming loan commitments and any security taken over loans); the Fund's policy for lending money (including how much it will lend to each borrower and rollover terms); and the Fund's policy on investing in other mortgage funds and if those funds should meet ASIC's benchmarks. 	<p>Not applicable.</p> <p>This benchmark does not apply to contributory schemes.</p>

Benchmark and Disclosure Principle 4: Related party transactions

The Responsible Entity does not lend to related parties of the Responsible Entity. To meet this benchmark, the Responsible Entity must disclose:

- the number and value of loans, investments and other transactions the Fund has made with related parties
- how the Fund assesses, approves and monitors related party transactions.

Benchmark satisfied.

The Responsible Entity and its sole shareholder, D.D.K. Holdings Pty Ltd, are Members of the Fund. The terms on which the Responsible Entity and D.D.K. Holdings Pty Ltd are Members are no different to the terms upon which any prospective investors may become Members of the Fund pursuant to the PDS. Some of the funds used by the Responsible Entity to invest in the Fund may be borrowed from its sole shareholder, D.D.K. Holdings Pty Ltd on arm's length commercial terms.

The Fund has no other lending or investments with related parties.

Should this situation change, whereby the Responsible Entity transacts with related parties, including lending or investing, it will do so on no more favourable terms than those offered to investors or borrowers and clearly disclose to the prospective investor that the proposed investment is to a related party. Any loan to a related party will be subject to the same borrower due diligence, valuation requirements, LVR and default loan management measures applied to non-related party transactions.

Further details are provided in Sections 11.2 and 11.7.

Benchmark 5 and Disclosure Principle 5: Valuation policy

To meet this benchmark, the Responsible Entity must:

- disclose how often valuations are done (and how recent a valuation must be for a new loan);
- establish a panel of valuers;
- ensure that no one valuer conducts more than one third of the valuation work for the Fund, calculated by value of properties (other than for contributory mortgage schemes); and
- value property in the following way –

Type of asset	Basis for valuation
Property development	'As is' basis, 'As if complete' basis and land value only basis
Other property (e.g. established buildings)	'As is' basis

Benchmark is not satisfied insofar as the requirement that no one valuer conducts more than one third of the valuation work of the Fund is concerned. The Responsible Entity uses valuers from its Approved Valuer panel, with whom it has developed long standing relationships based on trust and whose service levels and costs are proven and satisfactory. It is the Responsible Entity's policy to use valuers it believes are specialised in various fields.

The Fund does not lend for construction and all its valuations are completed "as is" or on land value only. The 'as is' valuation is an estimate of the market value of the property in its current state.

It is the Responsible Entity's policy that valuations must not be more than 4 months old when the loan is settled. A Sub-scheme may be increased within 12 months of the date of the original valuation at the discretion of

For contributory mortgage funds, the Responsible Entity only needs to disclose the valuation of a property securing a loan if the particular investor is being offered an interest in that loan. Valuers should be registered under one of the State/Territory valuer registers and include a statement in their valuation reports on whether the valuation complies with relevant industry standards and codes.

the investor. New valuations are obtained after 3 years from the date of the advance unless the loan term exceeds 3 years, or earlier at the discretion of the investor.

Any proposed Security Property must be valued before being proposed to a Member. Valuations may only be carried out by an Approved Valuer listed on the Responsible Entity's Approved Valuer panel. The Capital Improved Value on the most recent Council Rate Notice or Land Information Statement may also be used at the discretion of the Responsible Entity.

Approved Valuers making up the Responsible Entity's Approved Valuer panel or who otherwise agree to undertake a valuation on behalf of the Responsible Entity, must:

- be experienced in valuing the relevant type of Security Property;
- have knowledge of the local property market;
- be registered under a State or Territory valuer registration regime; and
- hold appropriate professional indemnity insurance.

Benchmark and Disclosure Principle 6: Lending principles

The benchmark requires the Fund to:

- only lend money for property development in stages based on progress made; and
- maintain the following LVRs:
 - where the loan relates to a property development – 70% on the basis of the latest 'as if completed' valuation; and
 - in all other cases – 80% on the basis of the latest market valuation.

ASIC has noted that the LVR should be on the unencumbered value of the property.

It has also noted that the responsible entity of a contributory mortgage fund will meet this benchmark for a particular investor if the loan in which the investor has an interest satisfies the above ratios.

Benchmark satisfied.

The Fund complies with the LVRs in the Benchmark and does not lend for property development by way of construction loans.

It is the Fund's practice that LVRs will not exceed 65% on a first mortgage and 75% on a second mortgage. However, if an LVR exceeds these limits (and without any way exceeding the prescribed LVR or 80% as stated in the Constitution of the Fund), the LVR will be disclosed in the Part B PDS provided to the investor detailing the specific details of the loan the subject of their investment in the Fund.

Benchmark and Disclosure Principle 7: Distribution practices

This addresses the transparency of the Fund's distribution practices.

To meet this benchmark, the Responsible Entity must not pay current distributions from Fund borrowings and must disclose:

Benchmark satisfied.

The Responsible Entity will pay interests and return capital invested in a Sub-scheme out of principal and interest payments received from the Borrower.

- the source of the current distribution being paid to investors and any forecast distributions;
- if the distributions are not sourced solely from income, received, why the distributions are being made and whether they can be maintained over the next 12 months; and
- the circumstances in which a promised return (if applicable) might not be paid to investors.

The specific rate of return for a particular Sub-scheme will be stipulated in the applicable Part B PDS.

The Fund's method of distribution of income is set out in this PDS. Each investment stands alone and the distribution comes solely from income received for the particular investment during the term of the loan. Income, in the form of interest payments received from the Borrower (at a fixed interest rate), less the fees and costs of the Responsible Entity, will be electronically transferred to a Member's nominated bank account on a monthly basis, or on such terms stipulated in the applicable Part B PDS.

As outlined in this PDS, there are risks, including that some income payments can be affected by non-performing loans where a Borrower fails to make a required payment and some of the investment may be lost if a Borrower defaults and the Security Property sells for less than the amount outstanding.

Benchmark and Disclosure Principle 8: Withdrawal arrangements

To meet this benchmark, the Responsible Entity must clearly state (if relevant to the fund):

- the longest period of time investors might have to wait before they can get your money back;
- any significant risks that could stop investors being able to get their money back; and
- the Fund's policy on re-investing ('rolling over') investors' money at the end of the initial period (for example, whether this happens automatically).

The Benchmark is not applicable.

Given the nature of the Fund a member may redeem Application Moneys provided:

- the Member has given 5 Business Days written notice to the Responsible Entity within 14 days of submitting an Application Form; and
- the Member has not already completed a Consent Form consenting to the Application Moneys being allocated to a Sub-scheme by the Responsible Entity.

A Member of the Fund has no right of withdrawal once their money has been allocated to a particular Sub-scheme until the repayment or maturity of the Mortgage in the Sub-scheme in which the Member has invested. The term of the investment will be disclosed in the Part B PDS provided to the Member. A Member will be repaid their initial investment only on maturity or upon the discharge of the Loan relating to the particular Sub-scheme. For example, if the term of the Loan is for 12 months, then the Member will be entitled to get their money back shortly thereafter.

There may be a delay in a Member being able to withdraw from the Fund in a situation where the Borrower has defaulted and the Security Property the subject of the Sub-scheme must be sold. The Member may have to wait until the Security Property is sold and the proceeds of sale are available for distribution. There is also a risk that some of the investment may be lost if a Borrower defaults and the Security Property sells for less than the amount outstanding. In such a situation, any loss would be apportioned amongst investors in proportion to their investment.

After repayment or maturity of a Loan, a Member may elect to withdraw or renew (rollover) their investment into the same or another Sub-scheme.

Further details are provided in Section 11.4